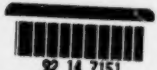

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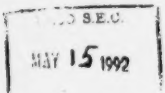
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549



FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

B92-2249

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____to_____

Commission File Number 0-132-58

BOOLE & BABBAGE, INC.

(Exact name of Registrant as specified in its charter)

Delaware	94- 1651571
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

510 Oakmead Parkway, Sunnyvale, California 94086-4022
(Address of principal executive offices) (Zip Code)

Registrant's Telephone number, including area code: (408)735-9550

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No__

4,033,833 shares of common stock of the Registrant were outstanding as of May 1, 1992.

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MAY 18 1992

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BOOLE & BABBAGE, INC.

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BOOLE & BABBAGE, INC
Consolidated Balance Sheets
(Dollars in thousands) (Unaudited)

	Mar. 31, 1992	Sept. 30, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$10,987	$8,743
Accounts receivable, net	23,187	21,918
Installment and other receivables, net	7,452	5,349
Prepaid expenses and other current assets	3,349	2,250
TOTAL CURRENT ASSETS	44,975	38,260
Purchased and internally developed software, net	11,673	12,329
Equipment, furniture and leasehold improvements, net	11,845	10,471
Long term installment and other receivables	4,036	2,784
Costs in excess of net assets of purchased businesses, net	779	799
Other assets	228	267
TOTAL ASSETS	$73,536	$64,910
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$4,948	$6,213
Accrued payroll expense	4,637	4,686
Other accrued liabilities	10,932	8,413
Deferred taxes on income	99	99
Capital lease obligations due within one year	1,370	1,204
Deferred maintenance revenue	24,194	22,869
TOTAL CURRENT LIABILITIES	46,180	43,484
Capital lease obligations due after one year	6,442	4,384
Deferred maintenance revenue due after one year	4,468	3,830
TOTAL LIABILITIES	57,090	51,698
STOCKHOLDERS' EQUITY		
Preferred stock, 2,000,000 shares authorized, $.001 per value, none issued	--	--
Common stock, $.001 par value, authorized--7,500,00 shares; issued 4,169,553 (4,082,357 at September 30, 1991)	4	4
Additional paid in capital	15,117	14,341
Retained earnings	3,039	263
Foreign currency translation adjustment	(730)	(412)
Less treasury stock, 157,000 shares, at cost	(984)	(984)
TOTAL STOCKHOLDERS' EQUITY	16,446	13,212
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$73,536	$64,910

See accompanying notes.

BOOLE & BABBAGE, INC.
Consolidated Statements of Income
(Amounts in thousands, except earnings per share)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
REVENUE:		
Product licensing	$12,285	$11,229
Maintenance contracts	13,427	12,184
Services and other	1,145	1,336
Total revenue	26,857	24,749
COSTS AND EXPENSES:		
Cost of sales	4,396	4,395
Product development and support	4,619	5,004
Sales and marketing	12,379	12,098
General and administrative	3,446	4,101
Restructuring and other	--	4,857
Total costs and expenses	24,840	30,455
OPERATING INCOME (LOSS)	2,017	(5,706)
Interest and other income (expense), net	(151)	(19)
INCOME (LOSS) BEFORE INCOME TAXES	1,866	(5,725)
Provision (benefit) for income taxes	512	(82)
NET INCOME (LOSS)	$1,354	($5,643)
EARNINGS (LOSS) PER SHARE	$0.30	($1.46)
NUMBER OF SHARES USED IN PER SHARE CALCULATIONS	4,500	3,872

See accompanying notes.

BOOLE & BABBAGE, INC.
Consolidated Statements of Income
(Amounts in thousands, except earnings per share)
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
REVENUE:		
Product licensing	$25,909	$24,730
Maintenance contracts	26,512	24,900
Services and other	2,139	2,590
Total revenue	54,560	52,220
COSTS AND EXPENSES		
Cost of sales	9,214	9,531
Product development and support	9,541	9,457
Sales and marketing	24,817	25,525
General and administrative	7,143	7,567
Restructuring and other	--	4,857
Total costs and expenses	50,715	56,937
OPERATING INCOME (LOSS)	3,845	(4,717)
Interest and other income (expense), net	(17)	58
INCOME (LOSS) BEFORE INCOME TAXES	3,828	(4,659)
Provision for income taxes	1,052	131
NET INCOME (LOSS)	$2,776	($4,790)
EARNINGS (LOSS) PER SHARE	$0.63	($1.24)
NUMBER OF SHARES USED IN PER SHARE CALCULATIONS	4,400	3,858

See accompanying notes.

BOOLE & BABBAGE, INC.
Consolidated Statements of Cash Flows
(Dollars in thousands) (Unaudited)

	Six Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$2,776	($4,790)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	4,162	4,574
Deferred income taxes	--	(172)
Stock issued under compensatory stock option plans	287	--
Changes in operating assets and liabilities:		
Accounts receivable and installment contracts receivable	(4,535)	(2,639)
Prepaid expenses	(1,065)	(458)
Deferred income	1,920	2,476
Accounts payable and accrued expenses	1,300	3,397
Net cash provided by operating activities	4,845	2,388
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment, furniture and leasehold improvements	(1,014)	(1,473)
Payments for capitalized software	(1,114)	(2,048)
Net cash used for investing activities	(2,128)	(3,521)
CASH FLOWS FROM FINANCING ACTIVTIES:		
Sale of lease contracts receivable	--	2,049
Proceeds from issuance of common stock	488	476
Payments on capital leases	(498)	(397)
Net cash provided by (used for) financing activities	(10)	2,128
Effect of exchange rate changes on cash	(463)	(479)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,244	516
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	8,743	7,906
CASH AND CASH EQUIVALENTS - END OF PERIOD	$10,987	$8,422
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$734	$310
Income taxes	$104	$160

Supplemental disclosures of noncash investing and financing activities:

In March 1992, a capital lease obligation of $2,722,000 was incurred when the Company entered into a lease for certain computer equipment.

See accompanying notes.

BOOLE & BABBAGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

1. The accompanying consolidated financial statements include the accounts of all subsidiaries after the elimination of all significant intercompany items and transactions.

   A summary of the significant accounting policies of the Company is included in Note 1 of Notes on Consolidated Financial Statements in the Company's report on Form 10-K for the year ended September 30, 1991. It is suggested that these consolidated financial statements be read in conjunction with those notes.

   The consolidated financial information at March 31, 1992 and for the three- and six- month periods ended March 31, 1992 and 1991 is unaudited. The statememts in this report include all adjustments of a normal recurring nature. In the opinion of management, these adjustments are necessary for a fair statement of the interim results for the periods presented. The interim results are not necessarily indicative of the results for the full year.

2. Income per common share is computed by adding to the weighted average number of common shares outstanding during the period the number of dilutive common shares that would be issuable upon the exercise of outstanding options using the treasury stock method of computation. Fully diluted earnings per share is not disclosed because it is not materially different from primary earnings per share.

3. Certain reclassifications to the prior period financial statements have been made to conform to current period classifications.

BOOLE & BABBAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS: Six months ended March 31, 1992

In fiscal 1991 the Company adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) on Software Revenue Recognition. The results of the six months ended March 31, 1991 have been restated to reflect the adoption of the SOP. In addition certain reclassifications to the prior period financial statements have been made to conform to current period classifications.

REVENUES:

Revenue for the six months ended March 31, 1992 increased 4.5% to $54,560,000 compared to $52,220,000 for the same period in fiscal 1991. The components of revenue for the current period are as follows:

	Dollar Amount	% of Total Revenues	% Change from FY 91
Product licensing	$ 25,909,000	47.5%	4.8%
Maintenance contracts	26,512,000	48.6%	6.5%
Services and other	2,139,000	3.9%	-17.4%
Total	$54,560,000	100.0%	4.5%

Product licensing:

Product licensing revenues, representing 47.5% of total revenues for the period, increased 4.8% compared to the period a year earlier. Management attributes this increase principally to increased demand by customers and an improving global economic environment. The Company's international operations contributed 57.2% or $14,820,000 of total product licensing revenue compared to 42.8% and $11,089,000 for domestic operations.

Maintenance contracts:

Maintenance revenue is generated from maintenance services the Company provides and includes technical support, product enhancements, system updates and user documentation. When the Company licenses its software products under a perpetual license, the first year of maintenance services is included at no additional charge. Thereafter on the anniversary date of the sale and in each subsequent year, the customer may elect to renew its maintenance agreement with the Company. Customers may also elect to purchase advance maintenance at the time of product

licensing for maintenance periods beyond the first year. Maintenance revenue is comprised of an allocation for first-year maintenance which is included in the product licensing price, maintenance renewals, and advance maintenance. All maintenance revenues are recognized ratably over the relevant periods.

Maintenance revenue, representing 48.6% of total revenues for the six month period ending March 31, 1992, increased 6.5% or $1,612,000 over the comparable period in fiscal 1991. Maintenance revenues accounted for 47.7% of total revenues in the same period of fiscal 1991. The Company is dependent upon increased new product licensing revenues and continued high quality maintenance support and upgrades to ensure future maintenance revenue increases.

Services and other:

Revenues derived from services and other decreased 17.4% to $2,139,000 for the period just ended compared with the same period in fiscal 1991. This category of revenues represents consulting, educational services, and the Company's computer time-sharing services division ("BBCS"). The decrease compared to the same quarter a year earlier is attributable to both a decrease in time-sharing revenue as more resources were devoted to internal engineering needs, and a reduction in consulting revenues as the Company de-emphasized this channel to focus on software sales. This decrease was partially offset by approximately $477,000 in periodic payments received from the termination of certain product distribution rights in the third quarter of 1991.

COSTS AND EXPENSES:

	Dollar Amount	% of Total Revenues	% Change from FY 91
Cost of sales	$ 9,214,000	16.9%	-3.3%
Product development and support	9,541,000	17.5%	0.9%
Sales and marketing	24,817,000	45.5%	-2.8%
General and administrative	7,143,000	13.1%	-5.6%
Restructuring and other	0	0%	n/a
Total	$50,715,000	93.0%	-10.9%

Excluding the "Restructuring and other" caption, total costs and expenses decreased 2.6% from fiscal 1991.

Cost of sales:

Cost of sales consists primarily of royalties paid to independent software authors, amortization of purchased and internally developed software, the cost of hardware associated with sales of certain network products and costs related to operating BBCS. Cost of sales represented 16.9% of revenue for the current period compared to 18.3% for the same period a year earlier. This decrease is attributed to the expiration in December 1991 of a royalty agreement related to the purchase of Empact Software in 1988. This resulted in $450,000 less in royalty expense for the six months ending March 31, 1992 than for the same period in 1991. In general, fluctuations in the relationship of cost of sales to revenue are caused primarily by changes in revenue mix and amortization of capitalized software.

Product development and support:

Product development and support costs increased 0.9% over the same period a year earlier to $9,541,000 and represented 17.5% of revenue compared to 18.1% of revenue in the same period of fiscal 1991. The slight increase is attributable primarily to an approximately $500,000 decrease in capitalization of software development costs which was offset by the implementation of management's cost control program initiated September 1991. The Company capitalizes certain development costs in accordance with Statement of Financial Accounting Standards No. 86 ("FAS 86"). To the extent that the Company capitalizes its product development costs, the effect is to defer such costs to future periods. Product development and support expenses may fluctuate quarterly depending in part upon the number and status of internal software development projects.

Sales and marketing:

Sales and marketing expense decreased 2.8% over the same period a year earlier and represented 45.5% of revenue compared to 48.9% a year earlier. Reduced headcount resulting from the consolidation of worldwide marketing as well as a decrease in advertising and promotional expenses account for most of this decrease. The decrease was partially offset by an increased sales staff at Empact Software and costs associated with the start-up of the Company's Australian subsidiary.

General and administrative:

Compared to the six month period ended March 31, 1991, general and administrative costs decreased $425,000, or 5.6%, to $7,143,000. As a percentage of revenues, these expenses decreased from 14.5% to 13.1%. Major areas of decrease included personnel costs, outside consultants, and bad debt expense.

Interest and other income, net:

Interest and other income consists principally of interest income, interest expense, and currency gain or loss. These items resulted in a net expense in 1992 due mainly to more unfavorable currency exchange rates in 1992 and to the increased costs associated with financing of the Company's upgrades to its mainframe computer. Finance obligations were entered into in March 1991 and March 1992 for these upgrades.

Income taxes:

The Company's provision for income taxes for the six months ended March 31, 1992 reflects the expected annual effective tax rate applied to the period's earnings. The Company's effective tax rate was 27.5% in 1992 compared to a 12.6% effective benefit rate for 1991. The Company's effective tax rate differs from the federal statutory rate due primarily to permanently invested earnings of foreign subsidiaries being taxed at rates lower than the federal statutory rate and federal net operating loss carryforwards. The increase over fiscal 1991 is primarily due to restrictions in Statement of Financial Accounting Standards No. 96 regarding the assumed realization of deferred tax assets.

Liquidity and capital resources:

The net increase in cash was $2,244,000 which was comprised of cash provided from operations of $4,845,000 offset by $2,128,000 and $10,000 used for investing and financing activities respectively, and a $463,000 decrease related to exchange rate changes. Included as a reduction in cash from operations were advances of approximately $1,044,000 to a third-party software supplier. In March 1992 the Company financed a $2,722,000 upgrade to certain computer equipment.

Included in cash is a $2,800,000 certificate of deposit pledged as collateral for the above mentioned financing of the CPU upgrade. The Company's bank line of credit expired February 29, 1992 and management is finalizing arrangements for a new line of credit of approximately $10,000,000 and a standby letter of credit to replace the collateralized certificate of deposit. Management believes that this new line of credit together with cash flows from operations and existing cash resources will be adequate to meet its working capital requirements at least for the foreseeable future.

BOOLE & BABBAGE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS: Three months ended March 31, 1992

Many of the same explanations and variances from the six month results discussion also apply to the second quarter results, and therefore, are not repeated here. A summary is provided as follows:

REVENUES:

Revenue for the three months ended March 31, 1992 increased 8.5% to $26,857,000 compared to $24,749,000 for the same quarter in fiscal 1991. The components of revenue for the current quarter are as follows:

	Dollar Amount	% of Total Revenues	% Change from FY 91
Product licensing	$ 12,285,000	45.7%	9.4%
Maintenance contracts	13,427,000	50.0%	10.2%
Services and other	1,145,000	4.3%	-14.3%
Total	$26,857,000	100.0%	8.5%

The Company's international operations contributed 55.1% or $6,769,000 of total product licensing revenue compared to 44.9% and $5,516,000 for domestic operations.

COSTS AND EXPENSES:

	Dollar Amount	% of Total Revenues	% Change from FY 91
Cost of sales	$ 4,396,000	16.4%	0.0%
Product development and support	4,619,000	17.2%	-7.7%
Sales and marketing	12,379,000	46.1%	2.3%
General and administrative	3,446,000	12.8%	-15.9%
Restructuring and other	0	0%	n/a
Total	$24,840,000	92.5%	-18.4%

Excluding the "Restructuring and other" caption, total costs and expenses decreased 3.0% from fiscal 1991.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K (a) Exhibits - None

(b) Reports on Form 8-K - None

BOOLE & BABBAGE, INC. SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BOOLE & BABBAGE, INC.

May 13, 1992

Paul E. Newton
President and Director
(Principal Executive Officer)

May 13, 1992

Arthur F. Knapp, Jr.
Senior Vice President
Chief Financial Officer
(Principal Financial and
Accounting Officer)